



January 18, 2000

The Honorable Tom Bliley
Chairman, Committee on Commerce
U.S. House of Representatives
Washington, D.C. 20515

The Chevron Companies
1401 Eye Street, N.W., Suite 1200
Washington, DC 20005

Philip T. Cavanaugh
Vice President and General Manager
Federal Relations
Phone No. 202 408 5800
Fax No. 202 408 5845

Dear Chairman Bliley:

We were made aware of your interest in the views of stakeholders on HR 2944 through our membership in ELCON. Accordingly, the purpose of this letter is to express concern about the bill as recently approved by the House Subcommittee on Energy and Power. From the standpoint of a large consumer and industrial generator of electricity, we do not believe the provisions of HR 2944 -- if enacted in its current form -- will advance the free flow of interstate commerce.

While most of our concerns are reflected in ELCON's detailed December 15 letter to you, there are several general concepts which merit emphasis. First, HR 2944 grants excessive authority to the states to establish their own rules impacting the interconnected transmission grid. Those rules would almost certainly conflict and limit interstate transactions. That would deprive consumers unnecessarily of opportunities to remain competitive by securing lower electricity rates.

Second, HR 2944 creates a complicated new regulatory structure that is rife with counterproductive bureaucracy. Powers and responsibilities are diffused among Regional Transmission Organizations (RTOs), Affiliated Regional Reliability Entities (ARREs), Joint Boards, etc. There are too many entities with overlapping and duplicative authorities. The result will be widespread confusion and costly delays in decision-making.

Third, section 101 (d) in Title 1 clarifies the authority of state to require "the payment of any charge deemed necessary...for any purpose..." for the receipt of electricity. The effect of this provision will be to penalize industrial on-site generation (usually in the form of efficient cogeneration). It would authorize -- in fact, encourage -- the imposition of brand new unfair charges on power generated on-site for a facility's own use instead of the purchased power it receives from the grid. Such charges are contained in proposed rules by different entities ranging from existing and proposed ISO's/RTO's to utility regulated tariffs. The proper approach is to confine any charges to a facility's actual receipt of purchased power and grid services. That would avoid discrimination against existing consumer options.

The Honorable Tom Bliley
January 18, 2000
Page Two

Chevron supports federal legislation providing for competitive electricity markets and enhanced reliability of the bulk power grid. Unfortunately, HR 2944 appears to be on the wrong path. Fundamental changes are needed for the bill to achieve its objectives. Thank you for the opportunity to present our views. We look forward to your continued strong leadership on this vital matter.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Lawrence". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.